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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 21 2005

DOCKETED BY



IN THE MATTER OF THE APPLICATION
OF UNS GAS, INC. FOR CONTINUATION
OF THE NEGOTIATED SALES PROGRAM.

DOCKET NO. G-04204A-03-0634

DECISION NO. 67942

ORDER

RECEIVED

Open Meeting
June 14 and 15, 2005
Phoenix, Arizona

JUN 22 2005

AZ Corporation Commission
Director Of Utilities

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNS" or "Company") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. On December 29, 2004, UNS filed for Commission approval of the continuation of the Negotiated Sales Program ("NSP") beyond June 30, 2005.

3. Previously in Decision Number 66616 (December 9, 2003), the Commission ordered UNS to "file a report with the Commission by December 31, 2004, documenting the operation of the NSP since September 1, 2003, including identification of costs and benefits to core customers and the Company. Such a filing should also include a request by UNS, if it so wishes, to continue operation of the NSP in its current or adjusted form beyond June 30, 2005."

4. The NSP program involves UNS procuring natural gas supplies and using its pipeline capacity to provide service to large customers who qualify for transportation service under the T-1 or T-2 transportation service tariffs. The terms and conditions of each NSP agreement are

Decision No. _____

1 individually negotiated between UNS and each customer. The NSP program has been in existence
2 for approximately ten years.

3 5. UNS' filing contains a discussion of a number of aspects of the NSP program.

4 6. UNS then requests that the NSP program be extended beyond June 30, 2005, and
5 that UNS make a filing with the Commission by the end of 2005 addressing whether the NSP
6 program should continue in its existing form or be modified.

7 7. The basis for UNS' request for more time to consider the future of the NSP
8 program is that circumstances are changing on the El Paso pipeline system and such changes
9 directly impact UNS' ability to offer NSP service and what the character of such service would be.

10 8. UNS uses its pipeline capacity portfolio to first and foremost service its core
11 customers and secondarily to offer NSP service. To the extent UNS' service on El Paso changes
12 due to the pending El Paso rate proceeding and other on-going matters, UNS' ability to offer NSP
13 service may be impacted.

14 9. There is significant uncertainty regarding the cost and nature of service which will
15 be provided to Arizona shippers, including UNS, as a result of the El Paso rate proceeding and
16 other matters.

17 10. Given current circumstances on the El Paso pipeline system, UNS' request to defer
18 consideration of the NSP program such that the Company will submit an updated report by the end
19 of 2005 appears reasonable.

20 11. Staff has recommended approval of an extension of the NSP beyond June 30, 2005,
21 subject to the requirement that UNS file an updated report with the Commission on or before
22 December 31, 2005, addressing whether the NSP program should be continued in its current or
23 adjusted form.

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CONCLUSIONS OF LAW

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2 1. UNS is an Arizona public service corporation within the meaning of Article XV,
3 Section 2, of the Arizona Constitution.

4 2. The Commission has jurisdiction over UNS and over the subject matter of the
5 application.

6 3. The Commission, having reviewed the application and Staff's Memorandum dated
7 May 26, 2005, concludes that it is in the public interest to approve an extension of the NSP beyond
8 June 30, 2005, subject to the requirement that UNS file an updated report with the Commission on
9 or before December 31, 2005, addressing whether the NSP program should be continued in its
10 current or adjusted form.

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ORDER

IT IS THEREFORE ORDERED that an extension of the NSP beyond June 30, 2005, be and hereby is approved.

IT IS FURTHER ORDERED that UNS docket an updated report with the Commission on or before December 31, 2005, addressing whether the NSP program should be continued in its current or adjusted form.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 21st day of June, 2005.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:BGG:cal/JA

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